



Private Equity Fund Commitment

Bain Capital Fund XI, L.P.

March 14, 2013

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Private Markets & Real Estate

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Bain Capital Fund XI, L.P. – Private Equity Fund

Overview

- The targeted fund size is \$6 billion with a \$7.5 billion hard cap
- Will target equity investments in the \$200 M to \$500 M range but may invest up to \$1 billion in larger transactions
- The Fund will target investments in North America, but will occasionally invest internationally alongside their Europe and Asian Funds
- Bain's expected base case IRR is a minimum of 20%

Fund Strategy

- Bain will focus on the following industry verticals: consumer/retail/dining; technology/media/telecom; industrials/energy; business/financial services and healthcare
- Bain's strategy will be on carve-outs and operational transformations; cross border transactions requiring global expertise; and on complicated business structures where having a large, experienced team is an advantage

Investment Team

- Bain has a team of 265 investment professionals worldwide
- Has 74 dedicated operational professionals who work on-site with portfolio companies
- Bain will invest at least 10% of the committed capital of the fund
- Bain has 8 offices on three continents

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GP “Value Add”

- Bain works closely with management of their portfolio companies to develop a value-creation plan. This process is a collaborative effort with a mutual understanding and clarity of objectives. During the process, Bain examines a wide range of potential levers to maximize value: strategy, growth and innovation, cost and efficiency, leadership and organization

Performance – As of 9/30/2012

- Fund V a 1995 fund, has a net 2.6x MOC and a 49% IRR (liquidated Dec 2010)
- Fund VI a 1998 fund, has a net 1.8x MOC and a 14% IRR
- Fund VII a 2000 fund, has a net 1.9x MOC and a 20% IRR
- Fund VIII a 2004 fund, has a net 1.7x MOC and 12% IRR
- Fund IX a 2006 fund, has a net 1.3x MOC and 6% IRR
- Fund X a 2008 fund, has a net 1.0x MOC and 0% IRR

Market Opportunity

- In what is likely to be a low growth environment for developed economies, Bain’s operational capabilities will be critical to driving growth in the portfolio. Bain generally favors situations that have geographic cross border opportunities, where they have investment professionals on the ground in the US, Europe and Asia. Bain is also well-positioned to acquire companies that are characterized by complexity from either due diligence and/or an operational perspective. Bain’s deep and diverse capabilities represent a competitive advantage over their peers

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History with PSERS

- This will be PSERS second commitment with Bain Capital. PSERS committed \$100 million to Bain Asia II on October 7, 2011. PSERS has also committed \$1.6 billion to 4 of Bain's Sankaty credit and loan funds

Board Issues

- PA presence – Bain has 4 portfolio companies headquartered in PA:
 - 1) Sungard – 1,655 employees
 - 2) Trinseo (Styron) – 64 employees
 - 3) Apple Leisure – 307 employees
 - 4) MEI – 183 employees
- Additionally Bain has 15 other portfolio companies with 258 locations in PA
- PA political contributions – Anita Bekenstein gave \$2,500 to Allyson Schwartz (PA 13) for Congress in 2011 and Elizabeth Loughlin gave \$1,000 to Sen. Bob Casey in 2012
- Relationship with consultant – Portfolio Advisors has invested \$5 M to Bain VIII, \$20 million to Bain IX and \$20 million to Bain X through their fund of funds. Portfolio Advisors has also committed \$11 million to 2 Bain Asia Funds; €2.9 million to 1 Bain Europe Fund; \$6 million to 2 Bain Co-investment Funds; \$30 million to 2 Bain Venture Funds; and \$41.1 million to 3 Sankaty Funds

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Board Issues continued

- **Placement agents** – Bain Capital does not use placement agents for US or European investors. Bain has engaged Compass Group for selected South American investors and Mercury Capital Advisors for selected Japanese investors. Compass Group Peru has an authorization to act as a broker in Peru, but a local license is not required to promote a foreign investment fund. Compass S.A. (a related entity of Compass) is an authorized broker-dealer in Colombia. Compass Group Chile S.A. Administradora General de Fondos (a Compass Group local management company) is registered with and supervised by the Chilean securities regulator, Superintendencia de Valores y Seguros. Mercury Capital Advisors is (i) a member of the Financial Industry Regulatory Authority (“FINRA”), (ii) a securities broker-dealer registered with the U.S. Securities and Exchange Commission (the “SEC”) and (iii) registered with each of the state regulators in the United States
- All of these fees are paid by the GP

Recommendation

- Staff, together with Portfolio Advisors LLC, recommends that the Board invest an amount not to exceed \$100 million plus reasonable normal investment expenses

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